

EXECUTIVE SUMMARY

The U.S. economic outlook has weakened compared to the July 2001 forecast because of the combined impacts of the slowing that took place over the summer as well as the terrorists' attacks on America. It is believed that this combination factors pushed the U.S. economy into a recession beginning the third quarter of this year, ending the nation's longest expansion. This is the major difference between the current and previous forecasts. The July 2001 forecast assumed the economy would weaken, but it would avoid a recession. This recession is expected to be mild by historical standards. Specifically, it is expected to last just two quarters (the minimum to be classified as a recession) and real GDP is anticipated to shrink about one-half percent. Although its duration is about the same as the 1990-91 recession (eight months), real GDP should not fall off as much as in the previous forecast. The 2001 recession should be relatively mild because of the stimulation factors already in the pipeline. Lower interest rates should have a significant role in returning the economy to growth. The Federal Reserve is currently in the midst of its most aggressive loosening in two decades. It was hoped that this summer's individual income tax rebate would be another factor that would kick start the faltering economy. Unfortunately, it appears this stimulant has not fulfilled its anticipated impact. Policymakers are considering a second round of fiscal relief to keep spending moving ahead after the terrorists' attacks. The ultimate direction and speed of spending may be determined by psychological instead of fiscal factors. The attacks could create a bunker mentality among consumers and cause them to hunker down. Alternatively, consumers could heed our leaders' patriotic appeals to keep the economy moving by spending. In summary, real GDP should increase just 1.1% in 2001, 1.6% in 2002, 4.0% in 2003, 2.8% in 2004, and 3.2% in 2005

The U.S. economic slowdown will dampen the outlook for the Idaho economy. Idaho nonfarm was expected to grow 1.6% in 2001, 1.4% in 2002, 2.2% in 2003, and 2.5% in 2004 in the July 2001 forecast. In the October 2001 forecast it is anticipated Idaho nonfarm employment will expand 1.6% in 2001, 0.4% in 2002, and 2.1% in both 2003 and 2004. Idaho real personal income is down \$25 million (0.1%) in 2002, \$12 million (0.0%) in 2003, and \$226 million (0.7%) in 2004. Idaho takes its biggest hits next year and in 2003. The delayed response to the U.S. economic slowing and the attacks are primarily the result of two factors. First, there traditionally is a lag between events at the national level and Idaho because it takes a while for changes in demand at the national level to result in changes in production at the local level. Second, the attacks occurred late in this year, so their impact on the total year is limited. Indeed, the impacts will be felt throughout 2002 and beyond. However, the attacks' impacts on the economy will eventually diminish. This is discussed in detail in the feature article included in this publication. In summary, the outlook for Idaho's economy has softened since last July. But this does not mean the state's economy is declining. Although the expected growth pace has been lowered, growth remains nonetheless. Idaho nonfarm employment and personal income are both expected to expand over the forecast period.

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

OCTOBER 2001

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
GDP (BILLIONS)										
Current \$	7,813	8,318	8,782	9,269	9,873	10,202	10,584	11,262	11,837	12,486
% Ch	5.6%	6.5%	5.6%	5.5%	6.5%	3.3%	3.7%	6.4%	5.1%	5.5%
1996 Chain-Weighted	7,813	8,159	8,509	8,857	9,224	9,325	9,473	9,855	10,132	10,460
% Ch	3.6%	4.4%	4.3%	4.1%	4.1%	1.1%	1.6%	4.0%	2.8%	3.2%
PERSONAL INCOME - CURR \$										
Idaho (Millions)	24,174	25,227	26,984	28,627	31,289	32,666	34,097	36,276	38,298	40,530
% Ch	5.7%	4.4%	7.0%	6.1%	9.3%	4.4%	4.4%	6.4%	5.6%	5.8%
Idaho Nonfarm (Millions)	23,298	24,557	26,092	27,686	30,170	31,575	32,986	35,152	37,165	39,388
% Ch	5.6%	5.4%	6.2%	6.1%	9.0%	4.7%	4.5%	6.6%	5.7%	6.0%
U.S. (Billions)	6,547	6,937	7,426	7,777	8,319	8,747	9,046	9,583	10,068	10,589
% Ch	5.6%	6.0%	7.0%	4.7%	7.0%	5.1%	3.4%	5.9%	5.1%	5.2%
PERSONAL INCOME - 1996 \$										
Idaho (Millions)	24,172	24,745	26,189	27,334	29,098	29,747	30,458	31,681	32,694	33,830
% Ch	3.5%	2.4%	5.8%	4.4%	6.5%	2.2%	2.4%	4.0%	3.2%	3.5%
Idaho Nonfarm (Millions)	23,297	24,088	25,323	26,435	28,058	28,754	29,464	30,700	31,727	32,877
% Ch	3.3%	3.4%	5.1%	4.4%	6.1%	2.5%	2.5%	4.2%	3.3%	3.6%
U.S. (Billions)	6,547	6,805	7,208	7,427	7,737	7,966	8,081	8,369	8,595	8,839
% Ch	3.4%	3.9%	5.9%	3.0%	4.2%	3.0%	1.4%	3.6%	2.7%	2.8%
HOUSING STARTS										
Idaho	9,222	8,860	10,117	10,332	11,536	11,794	10,629	9,964	10,053	10,212
% Ch	-1.5%	-3.9%	14.2%	2.1%	11.7%	2.2%	-9.9%	-6.3%	0.9%	1.6%
U.S. (Millions)	1,469	1,475	1,621	1,647	1,575	1,575	1,518	1,587	1,594	1,621
% Ch	7.9%	0.4%	9.9%	1.6%	-4.4%	0.0%	-3.6%	4.6%	0.4%	1.7%
TOTAL NONFARM EMPLOYMENT										
Idaho (Thousands)	492.6	508.7	521.5	539.1	559.2	568.3	573.1	585.4	597.4	610.5
% Ch	3.2%	3.3%	2.5%	3.4%	3.7%	1.6%	0.8%	2.1%	2.1%	2.2%
U.S. (Millions)	119.6	122.7	125.8	128.9	131.8	132.4	132.5	134.4	136.5	138.8
% Ch	2.0%	2.6%	2.6%	2.4%	2.2%	0.5%	0.1%	1.5%	1.6%	1.7%
SELECTED INTEREST RATES										
Federal Funds	5.3%	5.5%	5.4%	5.0%	6.2%	4.0%	3.0%	4.4%	5.0%	5.0%
Bank Prime	8.3%	8.4%	8.4%	8.0%	9.2%	7.0%	6.0%	7.4%	8.0%	8.0%
Existing Home Mortgage	7.7%	7.7%	7.1%	7.3%	8.0%	7.2%	7.4%	8.0%	8.3%	8.2%
INFLATION										
GDP Price Deflator	1.9%	1.9%	1.2%	1.4%	2.3%	2.2%	2.1%	2.3%	2.2%	2.2%
Personal Cons Deflator	2.2%	1.9%	1.1%	1.6%	2.7%	2.1%	1.9%	2.3%	2.3%	2.3%
Consumer Price Index	2.9%	2.3%	1.5%	2.2%	3.4%	3.1%	2.3%	2.4%	2.5%	2.5%

National Variables Forecast by DRI*WEFA

Forecast Begins the SECOND Quarter of 2001

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OCTOBER 2001

	2002				2003				2004			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	10,339	10,489	10,665	10,844	11,036	11,198	11,336	11,479	11,629	11,760	11,900	12,060
% Ch	4.0%	5.9%	6.9%	6.9%	7.3%	6.0%	5.0%	5.2%	5.3%	4.6%	4.9%	5.5%
1996 Chain-Weighted	9,329	9,413	9,521	9,628	9,738	9,829	9,891	9,960	10,031	10,094	10,161	10,242
% Ch	1.6%	3.6%	4.7%	4.6%	4.6%	3.8%	2.6%	2.8%	2.9%	2.5%	2.7%	3.2%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	33,400	33,820	34,316	34,853	35,442	36,034	36,562	37,064	37,577	38,037	38,530	39,048
% Ch	2.4%	5.1%	6.0%	6.4%	6.9%	6.8%	6.0%	5.6%	5.6%	5.0%	5.3%	5.5%
Idaho Nonfarm (Millions)	32,285	32,713	33,207	33,739	34,337	34,918	35,430	35,924	36,463	36,912	37,391	37,892
% Ch	2.8%	5.4%	6.2%	6.6%	7.3%	6.9%	6.0%	5.7%	6.1%	5.0%	5.3%	5.5%
U.S. (Billions)	8,885	8,978	9,095	9,227	9,384	9,527	9,651	9,770	9,901	10,009	10,121	10,240
% Ch	1.8%	4.2%	5.3%	5.9%	7.0%	6.2%	5.3%	5.0%	5.5%	4.5%	4.5%	4.8%
PERSONAL INCOME - 1996 \$												
Idaho (Millions)	30,073	30,291	30,579	30,888	31,229	31,571	31,840	32,085	32,347	32,566	32,805	33,059
% Ch	0.3%	2.9%	3.9%	4.1%	4.5%	4.4%	3.5%	3.1%	3.3%	2.7%	3.0%	3.1%
Idaho Nonfarm (Millions)	29,068	29,299	29,590	29,901	30,255	30,593	30,854	31,098	31,388	31,603	31,835	32,080
% Ch	0.6%	3.2%	4.0%	4.3%	4.8%	4.5%	3.5%	3.2%	3.8%	2.8%	3.0%	3.1%
U.S. (Billions)	8,000	8,041	8,105	8,177	8,268	8,347	8,405	8,457	8,523	8,570	8,617	8,669
% Ch	-0.3%	2.1%	3.2%	3.6%	4.5%	3.9%	2.8%	2.5%	3.1%	2.2%	2.2%	2.5%
HOUSING STARTS												
Idaho	10,979	10,762	10,508	10,268	10,127	9,991	9,892	9,848	9,967	10,034	10,078	10,134
% Ch	-6.4%	-7.7%	-9.1%	-8.8%	-5.4%	-5.3%	-3.9%	-1.8%	4.9%	2.7%	1.8%	2.2%
U.S. (Millions)	1,429	1,518	1,553	1,571	1,585	1,595	1,588	1,581	1,577	1,586	1,600	1,613
% Ch	-8.0%	27.4%	9.4%	4.8%	3.6%	2.5%	-1.6%	-1.9%	-1.0%	2.3%	3.5%	3.3%
TOTAL NONFARM EMPLOYMENT												
Idaho (Thousands)	569.7	571.8	574.1	576.9	580.2	583.9	587.2	590.2	593.2	596.0	598.8	601.7
% Ch	0.6%	1.5%	1.6%	2.0%	2.3%	2.5%	2.3%	2.1%	2.1%	1.9%	1.9%	1.9%
U.S. (Millions)	132.1	132.2	132.5	133.0	133.7	134.2	134.6	135.1	135.7	136.2	136.8	137.4
% Ch	0.0%	0.3%	1.1%	1.5%	1.9%	1.5%	1.4%	1.6%	1.6%	1.6%	1.6%	1.7%
SELECTED INTEREST RATES												
Federal Funds	2.5%	2.8%	3.3%	3.5%	3.8%	4.3%	4.8%	5.0%	5.0%	5.0%	5.0%	5.0%
Bank Prime	5.5%	5.8%	6.3%	6.5%	6.8%	7.3%	7.8%	8.0%	8.0%	8.0%	8.0%	8.0%
Existing Home Mortgage	7.1%	7.2%	7.5%	7.6%	7.7%	7.9%	8.2%	8.4%	8.4%	8.3%	8.3%	8.3%
INFLATION												
GDP Price Deflator	2.4%	2.2%	2.1%	2.2%	2.5%	2.2%	2.4%	2.3%	2.4%	2.0%	2.1%	2.2%
Personal Cons Deflator	2.2%	2.1%	2.1%	2.2%	2.3%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.3%
Consumer Price Index	2.4%	2.3%	2.2%	2.4%	2.5%	2.5%	2.6%	2.6%	2.5%	2.4%	2.5%	2.5%